

Final Session  
Agenda  
Reports  
10-29-19

# BUDGET, FINANCE, AND AUDIT STANDING COMMITTEE

/

**OFFICE OF CONTRACTING  
AND PROCUREMENT**

October 23, 2019

HONORABLE CITY COUNCIL:

The Purchasing Division of the Finance Department recommends a Contract with the following firm(s) or person(s):

6002274      100% General Funding – REVENUE – To Provide City Wide Collection Assistance Services to the Department of Treasury, Revenue Collections and Other City Departments by a Third Party Collection Agency. – Contractor: Harris and Harris LTD – Location: 111 West Jackson Blvd. Suite 400, Chicago, IL 60604 – Contract Period: Upon City Council Approval through July 31, 2023 – Total Contract Amount: \$0.00. **TREASURY**

Respectfully submitted,

Boysie Jackson, Chief Procurement Officer  
Office of Contracting and Procurement

**BY COUNCIL MEMBER** AYERS

**RESOLVED**, that Contract No. 6002274 referred to in the foregoing communication dated October 23, 2019, be hereby and is approved.



## Office of the Auditor General

Mark W. Lockridge, Auditor General

Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 216  
Detroit, Michigan 48226  
Phone: (313) 224-3101  
Fax: (313) 224-4091

### AUDIT MEMORANDUM

**DATE:** October 22, 2019

**TO:** Honorable City Council  
Honorable Mayor Mike Duggan

**FROM:** Mark W. Lockridge, CPA *MWL*  
Auditor General

**RE:** **THE CASINO DEVELOPMENT FUND**  
**Detroit Community Loan Fund Project**

**CC:** Glen Long, Chief Operating Officer, Detroit Economic Growth  
Corporation/Economic Development Corporation  
Ray Waters, Managing Director, Detroit Community Loan Fund; President,  
Detroit Development Fund  
Stephanie Washington, Esq., City Council Liaison  
David Whitaker, Director, Legislative Policy Division  
Casino Representatives

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Attached for your review is our report on the Casino Development Fund – Detroit Community Loan Fund project. This memorandum contains our audit purpose, scope, objectives, methodology and conclusions; background, and audit summary; and the response from the Economic Development Corporation.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Economic Development Corporation.

We would like to thank the employees of Detroit Community Loan Fund and the Economic Development Corporation for their cooperation and assistance extended to us during the audit.

Copies of all of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/Government/Office of the Auditor General](http://www.detroitmi.gov/Government/Office%20of%20the%20Auditor%20General).

**Audit of the Casino Development Fund  
Project: Detroit Community Loan Fund**

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Economic Development Corporation

Attachment A

## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS**

### **AUDIT PURPOSE**

The audit of the Casino Development Fund – Detroit Community Loan Fund project was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

City Council requested that the OAG perform an audit of the Casino Development Fund in relation to a Legislative Policy Division report dated October 11, 2016.

### **AUDIT SCOPE**

The scope of this audit was an independent review and assessment of the Detroit Community Loan Fund project. Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the OAG within the last three years.

### **AUDIT OBJECTIVES**

The overall audit objectives were to:

- Review financial reports and audited financial statements from each sub-grantee to ensure the Casino Development Funds are properly accounted for and spent in accordance with program objectives and guidelines as stated in the casino agreements, Economic Development Corporation (EDC)/City of Detroit and EDC/sub-grantee funding agreements.
- Conduct a performance audit of each sub-grantee to ensure the Casino Development Funds are effectively and efficiently received and spent in accordance with best practices and in support of program objectives and guidelines.

### **AUDIT METHODOLOGY**

To accomplish our audit objectives, our audit work included:

- Reviewing the Casino Development Agreements, project funding agreements, City Charter, the project budget reports, and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding the Casino Development Fund project's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with appropriate personnel.

- Interviewing appropriate personnel, reviewing documentation, and making observations to aid in developing audit programs.

## **CONCLUSIONS**

As a result of our audit of the Detroit Community Loan Fund project, we are unable to determine if the Casino Development Funds of \$3,421,043 were spent in accordance with the Funding Agreement between EDC and DCLF due a lack of documentation.

We also could not conclude on whether Detroit Community Loan Fund achieved its goal to assist in building small business infrastructure in the City of Detroit by providing loan funds to expand existing successful small business loan funds due to the lack of documentation.

## **BACKGROUND**

### **Origination of Casino Development Fund**

The Casino Development Fund is a commitment made by the three Detroit casinos (MGM Grand Detroit, MotorCity, and Greektown) and the City of Detroit, to contribute money for the purpose of assisting minority business development in a specified area within the City. The assistance to business development focuses on: financing façade improvements, GAP financing, loan guaranties, rehabilitation, equipment and working capital for existing and new businesses.

The City received \$2.5 million from MotorCity Casino during the period of the initial Casino Development agreements (1998-1999). The City received \$30 million from the three casinos (\$10 million from each casino) in accordance with the Casino Development Agreements for a total of \$32.5 million.

### **Economic Development Corporation**

The Economic Development Corporation (EDC) is a public body corporation created by the Detroit City Council by enactment of Ordinance 120-H effective June 9, 1979. All services to be performed are set forth in the “Scope of Services” section of the EDC/City personal service contract and is coordinated and performed by the Detroit Economic Growth Corporation (DEGC). The DEGC is a private non-profit 501c.4 organization and is an agent of EDC that acts as a liaison between EDC and the City.

### **Detroit Community Loan Fund**

The Detroit Community Loan Fund (DCLF) is a community development financial institution and low-profit limited liability company, managed by the Detroit Development Fund (DDF) and Invest Detroit. They finance small businesses headquartered in the city of Detroit which have traditionally faced obstacles in obtaining financing, but have demonstrated growth potential.

The DDF was and is the managing partner of the DCLF and has and still handles all of the finances and management for the DCLF. Originally, they were Shorebank Enterprise Detroit when the DCLF started and managed all aspects of the DCLF and still do as DDF.

### **Project Objectives for the Detroit Community Loan Fund**

The Funding Agreement By and Between the Economic Development Corporation and the City of Detroit provides funding for the Detroit Community Loan Fund (DCLF). The goal of DCLF as stated in the Funding Agreement is to assist in building the small business infrastructure in the city of Detroit by providing loan funds for expanding the already successful small business loan fund jointly operated by Detroit Renaissance, ShoreBank Enterprise Detroit and the Detroit Investment Fund.

## AUDIT SUMMARY

We reviewed a Detroit Community Loan Fund (DCLF) update report received from EDC in a December 17, 2018 email. DCLF reported that:

*"Only \$300,000 of the Casino Development funds were used as lending dollars. In short, Casino funds were basically not used for lending. DDF provided the EDC with the types of companies financed by DDF and the DCLF because we were not using Casino funds for the loans, we agreed for privacy and lender liability issues that it wasn't necessary to provide the EDC with names of the companies."*

The update report also stated that:

*"We believe we have fulfilled the mission and obligations of the Casino funds by providing loan capital to Detroit companies who were unable to find financing from traditional sources. The Casino funds strengthened our ability to raise additional capital and provide more loans to help grow small businesses in Detroit."*

### **Funding Information**

The DCLF project was originally allocated \$4.5 million to fund their activities. The EDC amended DCLF's original budgeted amount bringing DCLF's program budget down to \$3,421,053. DCLF has received all Casino Development Funds (CDF) allocated to them.

According to reports submitted by DCLF to EDC, DCLF spent their CDF as follows:

<b>Operating Expenses</b>	
Salary	\$1,893,015.41
Occupancy	14,381.61
Telephone	5,449.88
Insurance	4,800.00
Other Operating	19,714.35
Audit Fees	21,552.00
Management Fees	59,029.83
Legal Fees	9,687.32
Payroll Processing	1,508.60
Other Professional Fees	50.00
<b>Total Operating Expenses</b>	<b>\$2,029,189</b>
T/A Expenses	629,500
Loans – Write Offs	104,118
DCLF – DDF Investment in DCLF	358,236
Lending Capital	300,000
<b>GRAND TOTAL</b>	<b>\$3,421,043</b>

Neither EDC nor DCLF provided the auditors with supporting documentation for the expenditures reported by DCLF on the reports given to our office. Therefore, we cannot attest to how those funds were actually spent.

We determined that per the Funding Agreement, DCLF did not provide the following required information:

- Quarterly reports to EDC
- Information concerning the \$300,000 in loans made using CDF

We requested and reviewed all reports EDC had that were submitted by DCLF from 2006 to current. DCLF provided annual reports for the following years:

- |             |        |
|-------------|--------|
| • 2006      | • 2011 |
| • 2007      | • 2015 |
| • 2008-2009 | • 2016 |
| • 2010-2011 |        |

A review of the seven reports submitted (listed above) disclosed that they did not contain information specific to CDF loans. The reports revealed that:

- 6 of 7 (or 86%) reports did not contain the CDF loans in process
- 3 of 7 (or 43%) reports did not contain the number of CDF loans made
- 7 of 7 (or 100%) reports did not contain the business terms of loans made or in progress for CDF
- 7 of 7 (or 100%) reports did not contain the current status of CDF loans

The Funding Agreement By and Between the EDC and the DCLF, Article III, Section 3.01 Recipient Activities requires:

The Recipient shall perform the following functions:

- Prior to making the first loan, the Recipient will prepare and present for approval by the EDC the following documents:
  - A Lending Policy
  - A Credit Policy
  - Standard loan documents
  - A Marketing Plan

Following approval by the EDC of the above items, the Recipient agrees that they cannot be materially changed without the prior approval of the Board of Directors of the EDC, except as otherwise detailed in the Recipient's Lending Policy.

- No loans may be made that are not consistent with the policies and programs approved by the EDC without the prior approval of the EDC Board of Directors, except as detailed in the Recipient's lending policy.

- The Recipient will make quarterly reports to the EDC enumerating the loans in process, the loans made, a synopsis of the general business terms of each loan made or in progress, and the current status of each loan whether they current or in default.

We requested on multiple occasions supporting documents from EDC for the items listed on DCLF reports explaining how Casino Development Fund were spent. EDC was only able to provide us with Excel spreadsheets, reports and annual Financial Statements submitted by DCLF which did not allow us to verify expenditures. These documents were not sufficient to authenticate DCLF's expenditures. Therefore we could not substantiate how the funds were spent on this project.

# DETROIT DEVELOPMENT FUND

Helping You Get There

October 18, 2019

Mark Lockridge, Auditor General  
Office of the Auditor General  
2 Woodard Avenue  
Coleman A. Young Municipal., Room 216  
Detroit, MI 48226

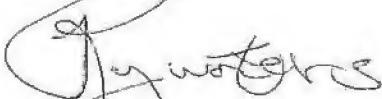
We have reviewed the final audit report submitted by the firm that did The Casino Fund Audit. We provided them all of the information we could find (please see the reports we sent with our orginal response).

Detroit Development Fund and The Detroit Community Fund are bascially sister companies. The funds provided to DCLF were used to assist DDF & DCLF in their growth. As a result of the casino fund assistance we were able to raise millions of additional dollars to provide additional loans to Detroit small businesses. The casino funds were instrumental in allowing us the capability to rasie additional capital to achieve our goal of providing lending capital to many Detroit small businesses and building the small business infrasturcture. We've loaned over \$50,000,000 in capital to Detroit small businesses, which a list of the Detroit companies receiving loans was provided in our previous response. This loan program has helped to retain over 2,000 jobs for Detroit residents and has created 3,200 new jobs for Detroit residents.

Our Entrepreuner of Color Loan fund has closed over \$8,000,000, in loans to Detroit minority small businesses in the last 2 ½ years. The casino funds were important in our growth and our ability to achieve the loan levels and the positive impact DDF had in Detroit since inception.

We would be happy to meet with the city council to discuss the program, and answer any questions they may have.

Sincerely,



Ray Waters  
President  
Detroit Development Fund

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CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF THE ASSESSOR

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October 14, 2019

Honorable City Council

**RE: Friendship Meadows Limited Dividend Housing Association Limited Liability Company – Payment  
in Lieu of Taxes (PILOT)**

Communities of Hope, Inc. and SPM Property Group, Limited Liability Company (“LLC”) have formed Friendship Meadows Limited Dividend Housing Association (“LDHA”) LLC in order to develop the Project known as Friendship Meadows Apartments. The Project is an existing one hundred fifty-three (153) senior rental units located in three (3) two-story buildings in an area bounded by Superior on the north, Russell on the east, Leland on the south and Chrysler Service Drive on the west.

The substantial rehabilitation Project will include one hundred seven (107) 1 bedroom/1 bath and forty-six (46) 2 bedroom/1 bath apartments and a community center. The preservation and renovation of the development will not result in a rent increase for the existing tenants.

A construction loan in the amount of \$7,000,000 will be provided by Citizens Bank and will convert to a Greystone serviced Freddie Mac Targeted Affordable Permanent Loan totaling \$5,900,000. RBC Tax Credit Manager II, Inc. will make Capital Contributions of \$9,600,000 which includes the purchase of Low Income Housing Tax Credits. Additionally, the Sponsor has agreed to defer \$143,968 of the developer fee.

Rents for all units have been set at or below eighty percent (80%) of the area median income. Thirty-eight (38) Section 8 voucher residents will contribute only thirty percent (30%) of their adjusted gross income towards the rent amount. All one hundred fifty-three (153) units will be subject to the PILOT based on Section 15a of the State Housing Development Authority Act of 1966, as amended.

In order to make this development economically feasible, it is necessary for it to receive the benefits of tax exemption under Section 15a of the State Housing Development Authority Act of 1966 (P.A. 346 as amended, MCL 125.1415A). Adoption of the resolution by your Honorable Body will therefore satisfy the requirements of Public Act 346 and City Ordinance 9-90, as amended, by establishing a service charge of five percent (5%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,

Alvin Horhn

Deputy CFO/Assessor

Attachment

JB/jb



**BY COUNCIL MEMBER**

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**WHEREAS**, pursuant to the provisions of the Michigan State Housing Development Act, Act 346 of the Public Acts of 1966, as amended, being MCL 125.1401 et seq. (the "Act"), a request for exemption from property taxes has been received on behalf of Communities of Hope, Inc. and SPM Property Group, LLC (the "Sponsors"); and

**WHEREAS**, a housing project as defined in the Act is eligible for exemption from property taxes under Section 15a of the Act (MCL 125.1415a) if the Michigan State Housing Development Authority ("MSHDA") provides funding for the housing project, or if the housing project is funded with a federally-aided mortgage as determined by MSHDA; and

**WHEREAS**, Section 15a of the Act (MCL 125.1415a) provides that the local legislative body may establish by ordinance the service charge to be paid in lieu of taxes, commonly known as a PILOT; and

**WHEREAS**, the City of Detroit has adopted Ordinance 9-90, as amended, being Sections 18-9-10 through 18-9-16 of the Detroit City Code to provide for the exemption from property taxes of eligible housing projects and to provide for the amount of the PILOT for said housing projects to be established by resolutions of the Detroit City Council after review and report by the Board of Assessors; and

**WHEREAS**, the Sponsor is proposing to undertake the rehabilitation of an existing housing project to be known as Friendship Meadows Apartments consisting of the rehabilitation of one hundred fifty-three (153) units in three (3) buildings located on two (2) parcels of property owned or to be acquired by the Sponsor as described by street address and tax parcel in Exhibit A to this resolution, with all units for low and moderate income housing (the "Project"); and

**WHEREAS**, the purpose of the Project is to serve low to moderate income persons as defined by Section 15a(7) of the Act, being MCL 125.1415a(7); and

**WHEREAS**, MSHDA has provided notice to the Sponsor that it intends to approve federal-aided financing for the Project, provided that the Detroit City Council adopts a resolution establishing the PILOT for the Project; and

**WHEREAS**, pursuant to Section 15a of the Act, being MCL 125.1415a(1), the tax exemption is not effective until the Sponsors first obtain MSHDA certification that the housing project is eligible for exemption, and files an affidavit, as so certified by MSHDA, with the Board of Assessors; and

**WHEREAS**, pursuant to Section 18-9-13(G) of the Detroit City Code, the tax exemption shall be effective on adoption, with the tax exemption and PILOT payment to occur only upon bona fide use and physical occupancy by persons and families eligible to move into the project, in accordance with the Act, which must occur as of December 31 of the year preceding the tax year in which the exemption is to begin;

**NOW, THEREFORE, BE IT**

**RESOLVED**, that in accordance with City Code Section 18-9-13, the Project known as Friendship Meadows Apartments as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of five percent (5%) for payment in lieu of taxes as set forth in Act No. 346 of the Public Acts of 1966, as amended, being MCL 125.1401, et seq.; and be it further



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**RESOLVED**, that arrangements to have collections of a payment in lieu of taxes from the Sponsor be established upon occupancy for future years with respect to the same be prepared by the Office of the Chief Financial Officer; and be it further

**RESOLVED**, that specific legal description for the Project shall be as set forth in the certification from MSHDA; and be it further

**RESOLVED**, that in accordance with Section 15a(3) of the Act, MCL 125.1415a(3), the exemption from taxation shall remain in effect for as long as the MSHDA-aided or Federally-aided financing is in effect, but not longer than fifty (50) years, and shall terminate upon the determination by the Board of Assessors that the Project is no longer eligible for the exemptions; and be it further

**RESOLVED**, that the City Clerk furnish the Office of the Chief Financial Officer – Office of the Assessor two certified copies of this resolution; and be it further

**RESOLVED**, that this resolution is adopted with a waiver of reconsideration.



## EXHIBIT A

### Friendship Meadows Limited Dividend Housing Association Limited Liability Company

The following real property situated in Detroit, Wayne County, Michigan:

#### PARCEL 1 of 2

The South 1/2 of the following described parcel of land.

Land in the City of Detroit, County of Wayne, Michigan being all of Lots 47 through 58, both inclusive, of "George A. Patterson Subdivision South of Fremont Street, of part of Out Lot 187 and 188, Rivard Farm", as recorded on April 7, 1881 in Liber 5, Page 68 of Plats, Wayne County Records; also all of Lots 11 through 46, both inclusive, of "D.W. Beamer's Subdivision of the Southerly part of Lot 187 and the Northerly part of Lot 186 of the Rivard Farm", as recorded on August 4, 1873 in Liber 2, Page 35 of Plats, Wayne County Records; also all of Lot 14 and Lot 21 of the "Plat of Bauman's Subdivision of that part of Out Lots 14 and 15, Louis Moran Farm, lying between Ontario (Alexandrine) and Leland Streets", as recorded on August 11, 1877 in Liber 4, Page 79 of Plats, Wayne County Records; also all of Lot 11 and part of Lot 12 of the "Plat of Bauman's Subdivision of that part of Out Lot 14, Louis Moran Farm, North of Ontario Street (Alexandrine)", as recorded on October 30, 1876 in Liber 4, Page 65 of Plats, Wayne County Records; also all of Lot 22 and part of Lot 21 of the "Subdivision of Out Lot 13, Louis Moran Farm", as recorded on September 18, 1875 in Liber 4, Page 25 of Plats, Wayne County Records; that part of above said Lot 12, "Plat of Bauman's Subdivision, as recorded in Liber 4, Page 65 of Plats, Wayne County Records, and Lot 21 of "Subdivision of Out Lot 13, Louis Moran Farm", as recorded in Liber 4, Page 25 of Plats, Wayne County Records, being more particularly described as lying Easterly of a line described as beginning at a point on the Southerly line of said Lot 12, which is also the Northerly line of public alley, 20 feet wide, which is 6.4 feet from the Easterly line of said Lot 21, as extended Southerly, thence Northerly to a point on the Southerly line of said Lot 21, which is West a distance of 6.5 feet from the Southeasterly corner of said Lot 21, thence Northerly to a point of ending on the Northerly line of said Lot 21 which is West a distance of 6.9 feet from the Northeasterly corner of said Lot 21; also the public alleys, 20 feet and 18 feet wide adjoining all previously said lots, and the South 10 feet of Superior Avenue, 50 feet wide, between the Easterly line of the Chrysler Freeway North Bound Service Drive and the Westerly line of Rivard Street, 50 feet wide, vacated by the City Council on October 6, 1982 J.C.C. pages 2373 through 2376; also that part of the Northerly 40.00 feet of Superior Street, and Alexandrine Street, 50 feet wide, between the Easterly line of the Chrysler Northbound Service Drive and the center line of Rivard Street, plus the Westerly 25 feet of Rivard Street between the Northerly line of Leland Street, 50 feet wide, and the Northerly line of Superior Street, converted to Subsurface easements on October 6, 1982, J.C.C. Pages 2373 through 2376, Wayne County Records.

Said parcel more particularly described as: Beginning at the Southwest corner of said Lot 14, Plat of Bauman's Subdivision of that part of Out Lots 14 and 15, Louis Moran Farm, being the Northeast corner of Leland Street and Chrysler Freeway Northbound Service Drive; thence North 26 degrees 11 minutes 07 seconds West 260.00 feet along the Easterly line of said Chrysler Freeway Northbound Service Drive; thence North 63 degrees 48 minutes 53 seconds East 442.15 feet along the North line of Alexandrine Street; thence South 26 degrees 11 minutes 07 seconds East 260.00 feet along the center of Rivard Street to a point on the North line of Leland Street; thence South 63 degrees 48 minutes 53 seconds West 442.15 feet along said North line of Leland Street to the point of beginning.



## EXHIBIT A (CONT'D)

### Friendship Meadows Limited Dividend Housing Association Limited Liability Company

#### PARCEL 2 of 2

Being all of Lots 25 through 48, both inclusive, of the Subdivision of the North part of Out Lot No. 3 of the Rear Concession of Private Claim No. 7, as recorded on October 11, 1861 in Liber 1, Page 114 of Plats, Wayne County Records; also all of Lots 116 through 127, both inclusive, and Lot B, and the East 82 feet of Lot A, of Wesson's Section of the Mullett Farm being all that portion of said Farm lying between Prospect and Russell Streets, and bounded on the Northwest by the Northerly line of Lot 2 in the Rear Concession of said Mullett Farm, and on the Southeast by the Center of Morse Street, as recorded on September 1, 1860 in Liber 1, Page 96 of Plats, Wayne County Records; also all of Lots 52 through 57, both inclusive, of Chateau's Subdivision of part of Out Lot No. 3, Mullett Farm, South of Ontario Street (Alexandrine), as recorded on May 25, 1884 in Liber 6, Page 4 of Plats, Wayne County Records; also part of Out Lot 3, bounded by a public easement (Rivard Street) on the West, by a vacated public alley, 19.24 feet wide, on the East, by vacated Alexandrine on the North, and by Lot 127 of said Wesson's Section of the Mullett Farm, as recorded in Liber 1, Page 96 of Plats, Wayne County Records on the South, plus part of Out Lot No. 3 bounded on the West by Lot 56 of said, Chateau's Subdivision of Out Lot No. 3, Mullett Farm, Liber 6, Page 4 of Plats, Wayne County Records, on the East by Russell Street, 60 feet wide, on the South by said Lots A and B of, Wesson's Section of the Mullett Farm, as recorded in Liber 1, Page 96 of Plats, Wayne County Records, and by Lot 57 of said, Chateau's Subdivision of Out Lot No. 3, Mullett Farm, Liber 6, Page 4 of Plats, Wayne County Records, on the North of the Plat of the Subdivision of the Rear Concession of Claim No. 7 for the widow and heirs of Charles Larned, by A. E. Hathon, as recorded on March 2, 1842 in Liber 21, Page 10 of Deeds, Wayne County Records;

Also that part of public right-of-ways vacated by the City Council on October 6, 1982, J.C.C. Pages 2373-2376, being all public alleys, 20 feet, 19.24 feet, and 10 feet wide adjoining all previously said Lots, plus the South 10 feet of Superior Street, 50 feet wide, between the Easterly line of Rivard Street, 50 feet wide and the Westerly line of Russell Street, 60 feet wide, and Alexandrine Street, 50 feet wide, between the Easterly line of Rivard Street, and the Westerly line of Russell Street; also the Easterly one-half of Rivard Street, 50 feet wide, between the Northerly line of Leland Street, 50 feet wide and the Northerly line of Superior Street, plus the North 40 feet of Superior Street, between the Easterly line of Rivard Street, and the Westerly line of Russell Street converted to sub-surface easements on October 6, 1982, J.C.C. Pages 2373-2376, Wayne County Records.

More Particularly described as beginning at the S.E. corner of Lot 116 "Wesson's Section of the Mullett Farm", thence South 63 degrees 46 minutes West 387.8 feet; thence North 26 degrees West 521.56 feet; thence North 64 degrees East 387.8 feet; thence South 25 degrees 59 minutes 59 seconds East 519.981 feet to the point of beginning.

Tax Parcel No. Ward 05, item 003426-38  
Property Address: 4101 Russell



Office of the  
Chief Financial Officer

CLICK "USE"

~~4~~

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Coleman A. Young Municipal Center  
2 Woodward Avenue, suite 1100  
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Revision as of 11:37 AM October 22, 2019

**Resolution Confirming the Administration's Commitment to Certain Actions Regarding Implementation of "Bond Proposal Funds" and Policies Governing Related Property**

WHEREAS, the Mayor has requested the City Council to approve a ballot initiative by which the City shall borrow an amount not to exceed \$250,000,000 and issue Unlimited Tax General Obligation Bonds of the City for the purpose of the elimination of blight through demolition and other blight remediation activities (the "Blight Elimination Bond Project"); and

WHEREAS, in consideration of the City Council's approval of the proposed Blight Elimination Bond Project the Administration agrees to undertake the items within the resolve of this resolution; BE IT THEREFORE

1 RESOLVED, subject to state law and City ordinance, to propose a Demolition Department to manage the demolition program and subsequently cancel or revise the demolition contract with the Detroit Building Authority. The changes will be proposed in an Executive Organization Plan amendment submitted to City Council before the end of the Council Session in November 2019 and in the Fiscal Year 2020-2021 Budget Recommendation to be submitted to City Council for review.

2 RESOLVED, the Office of Contracting and Procurement agrees to submit non-emergency residential demolition contracts in packages not to exceed 2,500 properties bi-annually. Through the use of the equalization ordinances and aggressive work by Civil Rights, Inclusion & Opportunity Department to qualify demolition contractors, over 50% of the contracts will be won by a contractor with one of the following certifications: Detroit Based Businesses, Detroit Headquartered Businesses, Detroit Small Businesses, Detroit Resident Businesses, Detroit Based Micro Businesses, Minority-Owned Business Enterprises, Women-Owned Business Enterprises, Mentor Ventures, and Joint Ventures. Special packages may be brought to City Council outside of the biannual process to address emergency, public safety or economic development needs. If

October 22, 2019 Postponed 1 week  
Received at the Table 10-22-2019



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Chief Financial Officer

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Phone: 313 -628-2535  
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[www.detroitmi.gov](http://www.detroitmi.gov)

7A RESOLVED, within one (1) month of approval of this agreement, The Detroit Employment Solutions Corporation agrees to implement a Blight Elimination Outreach marketing plan that may include, but not limited to the following: Outdoor signage; Digital and Social media outreach across Detroit at Work and all city channels; Outreach to our community partners including City Council, Faith-based, community partners, Department of Neighborhoods; Detroit at Work website banners and landing page highlighting details and how to sign up and find our more information ([detroitatwork.com](http://detroitatwork.com) averages 50,000 visits a month); Detroit at Work newsletter with over 120,000 Detroiters subscribing; press conference to announce efforts and garner media partners stories.

7B RESOLVED, the Office of Contracting and Procurement, Detroit Employment Solutions Corporation, the Demolition Department, and the Civil Rights, Inclusion & Opportunity Department agree to host employment fairs for contractors that do not qualify for the Detroit Resident Business certification. The Office of Contracting and Procurement will encourage those demolition business that do not qualify for this certification to attend.

8 RESOLVED, the Demolition Department will submit quarterly reports detailing the following: number of homes demolished; and proof demolition field liaisons' visits to each property.

9 RESOLVED, the Administration will make practical operational changes ~~to address audit findings of the Auditor General and any other pertinent external audit findings~~, unless the recommendations create an undue burden on small demolition contractors without a measurable benefit to the program.

10 RESOLVED, the Demolition Department will conduct a deconstruction pilot to determine the feasibility of incorporating deconstruction into the demolition program on a larger scale.

11 RESOLVED, Planning and Development Department will complete neighborhood plans and update the master plan for the City over the next five years with community input.



Office of the  
Chief Financial Officer

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18 RESOLVED, the City will have a rehab and marketing strategy that is aimed at assisting new low income home buyers and seniors in purchasing rehabbed or partially rehabbed houses.

19 RESOLVED, through the Fiscal Year 2021 Budget, the Administration will propose a new grass cutting strategy to address the spring growth and improve maintenance of vacant lots.

20 RESOLVED, the Administration will expand the illegal dumping campaign to protect neighborhoods with newly vacant land.

21 RESOLVED, the Administration will work with state leaders to enact “Pay as you Stay”, legislation to create a pathway out of foreclosure for low income home-owners. Pay as you Stay is a proposed new payment plan that will eliminate all interest, penalties and fees, reduce back taxes to 10% of the home’s taxable value, and create a three year payment plan with 0% interest.

22 RESOLVED, the City will partner with nonprofits and philanthropies to provide information about pathways out of foreclosure through Make it Home and the Homeowner Property Tax Exemption Program, directly to homeowners through door knocking campaigns, mailings, phone calls and community-based workshops.

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**TO:** Detroit City Council 

**FROM:** David Whitaker, Director  
Legislative Policy Division

**DATE:** October 23, 2019

**RE:** Information Regarding State Lodging Tax

The Legislative Policy Division (LPD) along with the Office of the Chief Financial Officer (OCFO) has been requested by Council Member Janee' Ayers to provide a report on the annual state lodging taxes received from Detroit hotels, along with how those dollars are allocated. In addition, the report is to include information from the past 10 years on the annual funds the City receives from the lodging tax and what is forecasted for the next 5 years.

LPD has reviewed the Michigan statutes relative to lodging taxes and have identified two that are relevant to the assigned request. The two statutes are Public Act 94 of 1937, the Use Tax MCL 205.91 et seq., and Public Act 106 of 1985, the State Convention Facility Development Act, MCL 207.621 et seq. The application of the two statutes are outlined below.

Entities that provide rooms or lodging are subject to taxation under Public Act 94 of 1937, the Use Tax Act. The Use Tax under Section 205.93a provides in pertinent part:

- 1) The use or consumption of the following services is taxed under this act in the same manner as tangible personal property is taxed under this act:
  - (b) Rooms or lodging furnished by hotelkeepers, motel operators, and other persons furnishing accommodations that are available to the public on the basis of a commercial and business enterprise, irrespective of whether or not membership is required for use of the accommodations, except rooms and lodging rented for a continuous period of more than 1 month. As used in this act, "hotel" or "motel" means a building or group of buildings in which the public may obtain

accommodations for a consideration, including, without limitation, such establishments as inns, motels, tourist homes, tourist houses or courts, lodging houses, rooming houses, nudist camps, apartment hotels, resort lodges and cabins, camps operated by other than nonprofit organizations but not including those licensed under 1973 PA 116, MCL 722.111 to 722.128, and any other building or group of buildings in which accommodations are available to the public, except accommodations rented for a continuous period of more than 1 month and accommodations furnished by hospitals or nursing homes.

The rate of taxation by the State on rooms and lodging are set forth under MCL 205.93

- (1) There is levied upon and there shall be collected from every person in this state a specific tax, including both the local community stabilization<sup>1</sup> share and the state share, for the privilege of using, storing, or consuming tangible personal property in this state at a total combined rate equal to 6% of the price of the property or services specified in section 3a or 3b.

One of the stated objectives of the Local Community Stabilization Authority (LCSA) is to provide revenue to local governments dedicated for local purposes, including police safety, fire protection, and ambulance emergency services. As such a portion of the use tax for rooms and lodging will go into the LCSA which will be distributed in accordance with that Act to municipalities. LPD does not have the resources to ascertain the annual funds received by the City over the past 10 years or what is forecasted for the next five years. The Office of the Chief Financial Officer may be able to provide this information and has been requested by this Honorable Body to do so.

In addition to the Use Tax that is levied upon rooms and lodging in general, the State also imposes an excise tax on “Convention Hotels”<sup>2</sup> in accordance with the Public Act 106 of 1985, the State Convention Facility Development Act (SCFD), MCL 207.624 which provides:

- (1) There is hereby levied upon and there shall be collected from any person engaged in the business of providing accommodations to transient guests in a

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<sup>1</sup> MCL 123.1347 identifies the local Community Stabilization Authority Section and provides the following (1) The local community stabilization authority is established as a metropolitan government for the metropolitan areas of this state under section 27 of article VII of the state constitution of 1963. The authority is a public body corporate and a special authority. The authority is not an agency or instrumentality of state government. (2) The property of the authority is public property devoted to an essential public and governmental purpose. Any income of the authority is for a public and governmental purpose. (3) Property of the authority and its income, activities, and operations are exempt from all taxes and special assessments of this state or a political subdivision of this state. Property of the authority is exempt from any ad valorem property taxes levied under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, or other law of this state authorizing the taxation of real or personal property. The authority is an entity of government for purposes of section 4a(1)(a) of the general sales tax act, 1933 PA 167, MCL 205.54a, and section 4(1)(h) of the use tax act, 1937 PA 94, MCL 205.94. (4) The validity of the creation of the authority is presumed unless held invalid by the court of appeals in an original action filed in the court of appeals not later than 60 days after the establishment of the authority under this section. The court of appeals has original jurisdiction to hear an action under this subsection. The court shall hear the action in an expedited manner.

<sup>2</sup> MCL 207.629 defines a “Convention Hotel” as being a hotel located within a Qualified Governmental Unit that has a Convention Facility with a capacity of 350,000 sq. ft. of total exhibit space within its jurisdiction. Qualified local governmental unit includes a metropolitan authority that leases, develops, operates, and maintains a qualified convention facility under the regional convention facility authority act, 2008 PA 554, MCL 141.1351 to 141.1379. The Detroit Regional Convention Facility Authority (DRCFA) is a qualified governmental unit under the Act.

convention hotel, whether or not membership is required, an excise tax at the following rates:

(a) For a convention hotel located within a qualified local governmental unit under section 9(4), the following:

(i) A rate of 3% of the room charge for accommodations in a convention hotel with 81 to 160 rooms.

(ii) A rate of 6% of the room charge for accommodations in a convention hotel with more than 160 rooms.

(b) For all other convention hotels not subject to the tax rates imposed by subdivision (a), the following:

(i) A rate of 1.5% of the room charge for accommodations in a convention hotel with 81 to 160 rooms.

(ii) A rate of 5% of the room charge for accommodations in a convention hotel with more than 160 rooms.

The taxes collected pursuant to the State Convention Facility Development Act are deposited in the state treasury to the “convention facility development fund” under MCL 207.628. Subsection (2) provides:

The convention facility development fund shall be distributed for certain state purposes and to local governmental units for use only for 1 or more of the following purposes:

(a) Acquiring, constructing, improving, enlarging, renewing, replacing, or leasing a convention facility.

(b) In conjunction with an activity listed in subdivision (a), repairing, furnishing, and equipping the convention facility.

(c) Refinancing an activity listed in subdivision (a) or (b).

(d) General fund expenditures.

(e) In the case of a local governmental unit that is a metropolitan authority, for any purpose authorized under the regional convention facility authority act, 2008 PA 554, MCL 141.1351 to 141.1379.

The distribution of the taxes collected and placed into the convention facility development fund are made in accordance with MLC 207.629 and provides:

(1) Except as provided in subsection (5) or (6), on or before the thirtieth day of each month, the state treasurer shall make a distribution from the convention facility development fund to a qualified local governmental unit. The distribution shall be an amount equal to the sum of the collections from the excise tax levied for accommodations under this act for the previous month from the convention hotels in the county in which the convention facility is or is to be located and in any county in which convention hotels are located that is contiguous to the county in which the convention facility is located, or is to be located, the additional tax imposed under section 1207 of the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.2207, for the previous month received in the fund, and any distribution received under section 5(b)(iii) of the health and safety fund act, 1987 PA 264, MCL 141.475, and from the 21st century jobs trust fund under section 8(4). However, distributions for any state fiscal year to any qualified local governmental unit under this section shall not exceed an amount equal to the

amount pledged, assigned, or dedicated by the qualified local governmental unit pursuant to section 11 for the payment during that state fiscal year of bonds, obligations, or other evidences of indebtedness incurred for the purposes specified in this act or the regional convention facility authority act, 2008 PA 554, MCL 141.1351 to 141.1379, plus operating deficit cost expenditures and other expenditures authorized under section 10, plus any amount necessary to maintain a fully funded debt reserve or other reserves intended to secure the principal and interest on the bonds, obligations, or other evidences of indebtedness as contained in the resolution or ordinance authorizing their issuance.

Pursuant to the SCFD, the taxes generated are to be utilized as set forth under the Act. It is LPD's understanding that the Detroit Regional Convention Facility Authority is the entity that receives the distribution from the convention facility development fund as it is the qualified local governmental unit (metropolitan authority) that leases, develops, operates, and maintains a qualified convention facility under the regional convention facility authority act. As stated with regard to the use tax distribution, the Office of the Chief Financial Officer may be able to provide information regarding the allocation of taxes over the past 10 years and what is forecasted for the next 5 years.

If we can be of further assistance please feel free to call upon us.

6

## MEMORANDUM

**TO:** David Massaron, Chief Financial Officer

**FROM:** Janee' Ayers, Chair  
Budget, Finance, and Audit Standing Committee

**DATE:** October 23, 2019

**RE:** Request for Information on Loss of Revenue from Act 365 of 2018

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I am requesting the Office of the Chief Financial Officer to please provide information on the *Small Wireless Communications Facilities Deployment Act 365 of 2018*. Please provide a summary of the changes this act will create for Detroit along with information on its budgetary impact.

Thank you for your time and effort,



Janee' Ayers

cc: Colleagues  
City Clerk

Rec @ table 10/22/18